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THE STRUCTURE AND OPERATION OF THE MINISTRY OF FINANCE IN INDIA

Paper
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Structure and operation of the Ministry of Finance

India has adopted the Federal form of Government and a Union of States. There is a Ministry of Finance in the Cen and each State has also its own Finance Department. Both the Centre and the States have their respective sources of revenu which flow into the consolidated fund of the Union and the and from which all expenditure connected with matters in the Union and State fields are met. Thus both the Centre and the States have their respective budgets which are prepared for financial year which runs from the 1st April to the 31st Marc and submitted to the Parliament and the State Legislatures.

With the adoption of the policy of welfare state and Central planning to achieve this object, the Central Ministry of Finance holds a very dominant position vis-a-vis the Financ Department of the States. The Union Ministry of Finance is organised into three departments — Revenue, Expenditure and Economic Affairs. The Department of Revenue is in overall control and supervision of the administration of all direct and indirect Union taxes. This control and supervision is exercised under a different designation, namely, the Central Board of Revenue. The Department of Expenditure functions in four main divisions:-

1) Establishment Division,
2) Economy Division,
3) Civil Expenditure Division, and
4) Defence Expenditure Division.

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Railway finances are administered by the Railway Board in which the Financial Commissioner for Railways is included as a member who though, directly responsible to the Railway Minister has the right to direct access to the Finance Minister, and is personally responsible to him for the economic administration of the Railways. The Department of Economic Affairs has six divisions, viz., Budget, Planning, Internal Finance, Insurance and External Finance and Economic Divisions. Control of Capital Issues, Stock Exchanges and Finance Corporations are under a separate Division. There is also a Sales Tax Unit in this Department.

In the States while in some there is a Board of Revenue in others the Revenue Department of the Secretariat deals with revenue matters without the intervention of a Board. The structure of the Finance Departments in the State Governments is simpler than in the Union because of the less complicated field and nature of their work and have branches dealing with Budget, Services, Expenditure and Taxes with minor local variations.

Budget

The Central Budget known as the "Annual Financial Statement" other than the Railway budget is prepared in the budget division, of the Department of Economic Affairs of the Ministry of Finance on the basis of estimates submitted by Administrative Ministries to the Finance Ministry for scrutiny and acceptance. All civil Administrative Ministries have Internal Financial Advisers who

are associated with the formulation of proposals for inclusion in the budget from their inception. The estimates for Defence Services are scrutinised and compiled by the Defence Division of the Department of Expenditure, while those of the Posts & Telegraphs are scrutinised and accepted by the Communications Division of that department. The estimates relating to other Ministries and Departments of the Central Government and the ways and means budget of the Government as a whole are compiled by the budget division with the assistance of the respective finance divisions of the Department of Expenditure. The Annual Financial Statement is laid before both the Houses of Parliament towards the end of February every year. The estimates of expenditure are placed before the House of the People in the form of Demands for Grants. Charged expenditure is indicated therein but does not require to be voted upon. The voting of the Demands for Grants is followed up by the passing of the Appropriation Act.

The Budget Division is also responsible for obtaining supplementary grants and appropriations during the course of the year and excess grants and appropriation recommended by the Public Accounts Committee.

The budget in the State field is a less complicated affair and is prepared in the Finance Department. The special features of the budgets both in the Centre and the States are their "Annuality" and their "cash basis". The financial year runs from the 1st April to the 31st March. Unutilised provisions lapse at the end of the financial year and the accounts of receipts and expenditure are on actual realisation and disbursement as distinguished from accrual and outstanding liability basis.

The Estimates Committee of Parliament some time back recommended the introduction of performance cum programme type of budgeting.

There are provisions in the Constitution for "votes on account", "votes of credit" and "Exceptional Grants".

Taxes and Duties

Taxes and duties fall both in the Central and state fields. Income tax, wealth tax, Expenditure tax, Estate duty other than on Agricultural land, Duties in respect of succession to property other than agricultural land, Gift tax, and Railway passenger fares' tax under direct taxes and Union excises and customs under indirect taxes fall in the Central field. Land revenue, State excise, duties in respect succession to agricultural land, Estate duty in respect of agricultural land, Agricultural Income tax, Taxes on lands and buildings, Taxes on mineral rights, Taxes on advertisements, goods, vehicles, animals, boats, or passengers by road or inland waterway, capitation Taxes Professions, trades, callings and employment taxes, Taxes on luxuries, entertainments, amusements, betting and gambling, Sales, purchases or consumption taxes of various kinds and Stamp Duties fall in the State field.

There are special arrangements in the Constitution for

(1) Assignment to the States of the net proceeds of certain taxes levied by the Union Government but collected by the States with which such duties are leviable.

(2) Assignment to the States of the net proceeds of certain taxes levied and collected by the Union Government and their

distribution among those states in accordance with prescribed principles.

(3) Assignment to the States of a share of the net proceeds of taxes on income other than agricultural income and its distribution among them in a prescribed manner and

(4) Payment by the Union in each year of grants-in-aid to certain states in lieu of assignment of any share of the net proceeds of certain duties levied and collected by the Union.

The Union is empowered to levy, surcharge on taxes in the second and third categories, the proceeds of which will go wholly to the Union.

<u>Connections between the Treasury, Treasury Field Services & Banking.</u>

The Department of Revenue of the Union Ministry of Finance also functions as a Central Board of Revenue, which is a statutory body. The Board has under it a Statistical Branch, Directorates of Inspection for Income tax and for Customs and Union Excises. The Board has also under it the Central Revenue Intelligence Bureau, the Central Revenues Control Laboratory and Narcotics Commissioner's office. There are Collectors of Customs, Collectors of Central Excise and Commissioners of Income Tax functioning under the Central Board of Revenue and responsible for the levy and collection of various taxes and duties.

A chart showing the organisation of the Department of Revenue is attached as Annexure I.

Under the Department of Economic Affairs, there are the following five Administrative organisations:

1. Currency Note Press
2. India Security Press
3. Mints
4. Assay Department
5. National Savings Organisation.

Besides, there are a number of advisory bodies namely:

(1) Advisory Committee for Capital Issue

(2) National Savings Advisory Committee

(3) Central & State Advisory Boards for the Womens' Saving Campaign.

The internal finance division of the Ministry of the Department of the Economic Affairs deals with all matters relating to the Currency and Coinage, the Reserve Bank of India and Banking. A chart showing the organisation of the Department of Economic Affairs is enclosed as Annexure II.

The Banking Companies Act, 1949, the Reserve Bank of India Act, 1934 read with the Reserve Bank (Transfer to Public Ownership) Act, 1948 and the State Bank of India Act, 1955, regulate the Banking operations in the country. The Reserve Bank is a state-owned institution. It is the sole authority for the issue of Currency Notes in the country (other than one rupee coins and notes and subsidiary coins). The primary function of the Reserve Bank is to regulate the monetary system of the country so as to promote

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the maintenance of economic stability and to assist the growth of the economy within the framework of the general economic policy of the Government. It plays an active part in the expanding field of industrial and rural finance. It has been given extensive powers for the regulation of credit has been assigned a crucial role in the scheme of integrated credit. It has a National Agricultural Credit (Long-Term Operations) Fund and a National Agricultural Credit (Stabilisation) Fund. It conducts the banking and financial operations of the Central and State Governments including the management of public debts. It has the custody and management of the country's international reserves. It exercises control over payments and receipts for international transactions in conformity with the trade control which is operated by Government. It also performs a variety of developmental and promotional functions. It plays the role of adviser to Government on economic matters in general and financial problems in particular. It controls licensing of new banks and has authority to approve of or veto schemes of amalgamation. It carrys a regular inspection of banks and keeps itself informed of their condition. It is under obligation to buy and sell foreign exchange at such rates and such terms as the Central Government determines from time to time.

The State Bank of India is a nationalised institution. It functions as sole agent of the Reserve Bank at places where the former has and the latter has not any branch. It has a new role to play in the field of rural Finance and can

acquire and hold shares in the capital of other banking institutions and run them as subsidiaries. There is a summary procedure for voluntary amalgamation of any bank with the State Bank. The Central Government may issue suitable directions to the State Bank, in regard to matters of policy involving public interest.

The position of Exchange Banks and other Joint Stock Banks scheduled and non-scheduled vis-a-vis the Treasury calls for no special comment.

National and Foreign Public Debt.

Over 95% of the Public Debt of India is internal debt consisting of public Loans, Treasury Bills, ways and means advances and Treasury Deposit Receipts, unfunded debt including Small Savings and service and provident funds, and deposits bearing interest. The Foreign Public Debt consists of loans from the International Bank for Reconstruction and Development, loans from Foreign Governments like U.S.A., U.S.S.R., West Germany and Japan, and other loans like the one from a syndicate of private banks for financing the sterling portion of the contract for a steel plant. Most of the Public Debt is covered by tangible interest or revenue yielding assets.

Minting and issuing Currency; control of Currency circulation, foreign currency.

The Government of India have two Mints at Bombay and at Alipore (Calcutta). There is also a Mint at Hyderabad which is treated as an adjunct to the Mint at Bombay.

Coins and one rupee notes are under the control of the Internal Finance Division of the Ministry of Finance. Rupee and Half rupee coins are unlimited legal tender. Subsidiary coins are limited legal tender upto Rs.10 only. From April 1, 1957 the decimal system of coinage has been introduced. Rupee note is deemed rupee coin. Rupee coins are issued by the Issue Department of the Reserve Bank on demand in exchange for notes and vice-versa. Subsidiary coins are issued to the public through small coin depots.

Notes are full legal tender and the sole right of note issue rests with the Reserve Bank of India. The currency is backed by a reserve with a statutory minimum, in gold coin, gold bullion and sterling and rupee securities.

Nearly seventy per cent of India's total external transactions is financed in sterling, about ten per cent in dollars and the rest in rupees. India is a member of the group of countries known as the "sterling area" with the United Kingdom as the Centre. The difficulties of the sterling area in reaching a balance in their transactions with the non-sterling area countries has necessitated considerable restraint being exercised in the expenditure of non-sterling area currencies, particularly the U.S. dollars. In the context of Indian conditions, when a series of economic plans are being implemented and imports under their impetus are mounting, there are competing demands for foreign exchange both in the sterling and non-sterling areas. This has

necessitated both trade control and exchange control. The former is evolved by the Ministry of Commerce and Industry in consultation with the External Finance Division of the Ministry of Finance. The control of foreign exchange covers not only the regulation of the demand for foreign exchange but also the disposal of the foreign exchange earned by India, which should represent the full value of the goods and which is required to be remitted to India and not retained abroad, so that the export receipts of the country are at the maximum. The Foreign Exchange Regulation Act and the Exchange Control Regulations are administered by the Reserve Bank of India in accordance with the general policy laid down by the Government in consultation with it.

6. Accounting

To maintain uniformity in the system of accounting of the transactions of the Central and the various State Governments in the country, the Constitution lays down that the accounts of the Union and of the States shall be kept in such form as the Comptroller and Auditor General may with the approval of the President prescribe.

The Comptroller and Auditor General is generally responsible for keeping the accounts of the Union and of the States except accounts relating to Defence, railways and of transactions in the United Kingdom or initial accounts required to be kept in treasuries and departmental offices. It has been agreed in principle that the authority accountable for any expenditure to the Parliament or Legislature should

keep the accounts thereof and that the Comptroller and Auditor General should be divested of accounting responsibilities. As an experiment accounting responsibilities have been transferred to a few Ministries. The transfer of accounts to the administration is, however, an intricate and involved question particularly with reference to India's peculiar administrative and financial arrangements.

From the accounts kept by the Comptroller and Auditor General and by the other persons responsible for keeping public accounts, the Auditor General is required to prepare in each year accounts known as the Finance Accounts (including in the case of accounts kept by him, appropriation accounts) showing the annual receipts and disbursements for the purposes of the Union and States and submit them to the Union or State Governments as the case may be. The Comptroller and Auditor General is also required to prepare annually and submit to the President a General Financial Statement incorporating a summary of the accounts of the Union and of the States for the last preceding year and particulars of their balances and outstanding liabilities and containing such other information as to the financial position as the President may direct to be included in the statement. This is known as the "Combined Finance and Revenue Accounts of the Central and State Government of India".

The annual accounts like the budget regard transactions which take place during the financial year running from 1st April to 31st March.

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The Accounts of the Union and the States are maintained in three parts:

I Consolidated fund,

II Contingency fund, and

III Public account. In part one there are three main divisions namely:

1) Revenue

2) Debt (Comprising Public Debt and Loans and Advances).

In part two there are main divisions:

1) Debt (other than those included in part I) and deposits, and

2) Remittances.

The main unit of the classification of the accounts is the major head which is divided into minor heads and detailed heads. Expenditure which under the provisions of the Constitution is subject to the vote of the Legislature is shown in the accounts separately from expenditure which is "charged" on the Consolidated Fund of India or of a State.

State-owned real property

Both the Union and State Governments have Legislative and executive powers for the acquisition or requisition of property for the purposes of the Union or the States. Their executive power extends subject to any law made by the appropriate Legislature, to the grant, sale, disposition or mortagage of any property held for the purposes of the Union or State as the case may be. All property accruing to the Government by

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escheat, lapse or as bona vacantia for want of a rightful owner vests in the State if it is situated in such State and in any other case, vests in the Union. All lands, minerals and other things, of value underlying the ocean with the territorial waters of India vest in the Union. No person can be deprived by Government of his property save by an authority of law. No property can be acquired compulsorily or requisitioned by Government save for a public purpose and save by authority of Law which provides for compensation for the property so acquired or requisitioned.

Supplies e.g. furniture, office machines, printed forms etc.

The initial supply of furniture in any new Government building is arranged by the Public Works Department. Replacements and addition later on are the responsibility of the various Departments themselves.

Office machines are obtained by all offices through the Controller of Printing and Stationery, so also printed forms.

There is a Supply Department in the Centre, on which the States as well as even some Local Bodies can or have to indent for the purchase and supply of various categories of Stores. There is a Supply Mission in Washington and a Directorate General of Stores attached to the Indian High Commissioner's Organization in London.

Postage and Revenue Stamps

Postal and other stamps are printed at the India Security Press and there is a central Stamp Stores at Nasik.

'Posts and Telegraphs' is a union subject and constitutes the second largest state undertaking and public utility service in India, being next only to Railways. Rates of stamp duty in respect of bills of exchange, cheques, promissory notes, bills of lading, letters of credit, policies of insurance, transfer of shares, debentures, proxies and receipts are regulated by the Union. Rates of Stamp duty in respect of documents other than those mentioned above are regulated by States. Stamp duties other than duties or fees collected by means of judicial stamps but not including the rates of stamp duty fall in the concurrent field of legislation of both the centre and the states. Stamp duties are an impotant source of state Revenue.

Register of Tax Payers

Under "Taxes and Duties" the important taxes both in the central and state field have been dealt with earlier. Each Department responsible for the assessment and collection of taxes is required to maintain the necessary records relating to the same.

Tax enforcement agencies

The revenue Department under collectors of Districts acting as Revenue Court is an important agency for tax enforcement. Arrears of income tax which the Income Tax Department is itself

unable to recover are treated as arrears of land revenue and enforced through the Collector. For customs and Excise the Departments themselves have the necessary enforcement powers.

Lotteries & Fiscal monopolies

Lotteries organised by the Government of India or the Government of a State fall under the Union field of Legislation. Hitherto there has been no inclination on the part of the Union or State Governments to embark on any scheme of Lotteries.

Under the Opium Acts of 1857 and 1878 opium is a fiscal monoply of the Central Government. Later enactments like the Dangerous Drugs Act of 1930 passed after the conclusion of the 1925, International Convention and the Opium Law (Amendment) Act of 1957 have shifted the emphasis to the social rather than the revenue aspect of the matter.

Pay System (for active and retired public servants)

The services in India are generally divided into two broad caterories viz., Gazetted and non-Gazetted. The former draw their pay and allowances on their personal claims presented at treasuries or at the pay counter of any Accountant General's office. In the case of the latter their pay and allowances are drawn and disbursed to them by Heads of Offices. There are some variations in procedure in respect of Railway and Defence personnel. All appointments and further stages in the career of the former like transfer, promotion, leave and retirement are notified in the Gazette. The centre and the state have their own services except that there are two All India Services Viz., The Indian Administrative Service

and the Indian Police Service which serve both the needs of the centre and the States and are controlled by the Union Government. Services are also divided into four classes. There are several grades within each class. Pay except at top levels is generally on time scale basis and depends on the class and the grade within the class. Dearness allowance except for higher grades is also a feature of the pay system at present. In addition there are compensatory allowances or house rent allowance for particular stations. Special pay is also allowed for particular posts for the arduous nature of work or for unhealthiness of locality.

Retirement benefits are in the shape of either contributory Provident Fund or Pension which may include death-cum-retirment gratuities. Family pensions and wound and extra-ordinary pensions are also admissible in certain cases.

Schools for financial, accounting, customs and other specialists

There is a training school for probationers recruited to the Indian Audit and Accounts Service in which training in Accounting and Audit is imparted before the probationers appear for their departmental examinations. There is also a training school for probationers recruited to the Indian Revenue Service for appointments as Income-Tax Officers. For probationers to the Indian Revenue Service recruited for the Customs and Excise Departments, there is no separate training school. Only a small number is recruited for the latter which makes it unpractical to run a separate school. The training given to probationers to the Indian Administrative

School, includes something of Finance. There are at present no training schools for refresher or advanced training in financial administration to those already in service. This Institute has in contemplation the feasibility of arranging such training under its auspices.

Inspectorate of Financial Services (O&M)

As stated earlier the Central Board of Revenue has under it Directors of Inspection for Income-Tax, Customs and Excise. There are also Assistant Commissioners of Income-Tax (Inspection). The Comptroller and Auditor General has also under him for his Department, Directors of Inspection who go round inspecting offices of Accounts and Audit.

There is a special reorganisation unit in the Ministry of Finance which works in close liaison with the O & M Division which is under the Cabinet Secretariat. The special reorganisation unit has been set up with a view to conducting an objective review of the organisation and strength of various Ministries and other organisations. It carries out work studies involving an analysis of organisation structures, methods of work, etc. The O & M Division under the Cabinet Secretariat is charged with the duty of paying intelligent and critical attention not only to what is being done but also as to how it is done and at what cost in time, labour and money and also paying attention to the design of the machine and its

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working processes and not merely to its and product.

Note Only more items in the questionnaire as are not covered above are dealt with below.

Credit and investment policy (public and private)

The vital part played by the 'Reserve Bank of India' in regulating credit has already been referred to under the heading "The Treasury, Treasury Field Services and Banking". This control is both general or quantitative and selective or qualitative and all banking companies are bound to follow the policy determined by the Reserve Bank of India in relation to advances by banking companies generally or by any banking company in particular. The Bank has had an active part in the setting up of special agencies to purvey term credit viz., The Industrial Finance Corporation of India and the various State Financial Corporations. The Bank has provided a portion of the capital and borrowing facilities to these institutions and renders them, especially the State Financial Corporations, much assistance in their organisation and working.

The Industrial Credit and Investment Corporation of India and the Refinancing Corporation for Industry Private Ltd., which is participated in by the Reserve

Bank and 15 scheduled banks besides the Government of India have gone a long way in meeting the financial requirements of industries in the country.

The Reserve Bank of India has also an Agricultural Credit Department and functions as the secretariat of the central committee for co-operative training and is advised by a Standing Advisory Committee on Agricultural Credit. The Bank makes short and medium term advances to State Cooperative Banks at a concessional rate and grants long-term advances to State Governments for enabling them to subscribe to the share capital of cooperative credit institutions from the special fund to which reference has been made previously.

Budgeting and National accounting

Budget and Accounting have been dealt with under two heads earlier.

As regards accounting of National income several estimates from time to time have been made by private persons or agencies in the past. It is only after Independence that the Government moved in this respect. A National Income Unit was formed in the Ministry of Finance in 1949 and a committee called the National Income Committee was also appointed soon after to advise the Unit in its work and to report on the National income estimates. The committee compiled estimates for the three years 1948-49 to 1950-51. According to the fourth issue of the Annual Paper on national income released by the Central Statistical Organisation of the Government of India the national income in real terms has

increased by 17.7 per cent during the First Five Year Plan period (1951-52 to 1955-56).

Auditing & Inspection of public expenditure

The Constitution has provided a statutory authority namely the Comptroller and Auditor General of India. His duties and powers in relation to the accounts of the union or states to be laid down by law of Parliament. Till they are so laid down he performs the same duties and exercises the same powers as before the commencement of the Constitution. He is responsible for audit of the expenditure from the revenues of the Union and the States and to ascertain whether monies shown in the accounts as having been disbursed were legally available for and applicable to the service or purpose to which they have been applied or charged and whether the expenditure conforms to the authority which governs it. In the field of receipts, his authority does not extend to the whole of it, but only to the extent to which the audit of receipt of any department is specifically entrusted to him by the President or the Governor of a State. He has authority to inspect any office of account including treasuries and such offices responsible for the keeping of initial or subsidiary accounts as submit accounts to him.
The reports of the Comptroller and Auditor General realting to the accounts of the Union or the States are submitted to the President or the Governor, as the case may be, who causes them to be laid before Parliament/Legislature.

These reports are considered by the Public Accounts Committee of the Union or the State. He has complete liberty in reporting, of relating relevant facts and of expressing opinions upon the conduct of the departments and ministries in regard to the financial transactions and accounts. Apart from seeing that expenditure conforms to rules and that the appropriations made by Parliament have not been exceeded, he has to satisfy himself on behalf of Parliament as to its wisdom, faithful ness and economy".

Supervision of the Finances of local authorities and autonomous organisations

In India, the important local bodies fall into two categories-urban and rural. Under the former come municipalities which in larger cities are called Corporations, under the latter come the district or taluk boards and Gram Panchayats. The Local Finance Enquiry Committee (1949-50) recommended that in order to give local bodies definite source of revenue a convention may be established by which the net proceeds of the following sources of revenue shall be exclusively available for local authorities:-

(1) Terminal taxes on goods or passengers carried by railway, sea or air; (2) Taxes on land and buildings; (3) Taxes on mineral rights; (4) Taxes on the entry of goods into local area for consumption, use or sale therein: (5) Taxes on the sale of electricity; (6) Taxes on advertisement; (7) Taxes on goods or passengers carried by road or inland waterway; (8) Taxes on vehicles other than mechnaically propelled; (9) Taxes on animals and boats; (10) Tolls; (11) Taxes on professions, trades and callings, and employments; (12) Capitation taxes; (13) Taxes on entertainments and amusements.

The Committee also suggested that the local bodies should be authorised to tax the properties of the Central and the State Governments or receive a contribution in lieu thereof.

All the above taxes except (1) which is assigned to the Centre, are assigned to the States under the Indian Constitution. Owing to financial stringency and the expansion of development expenditure it has not been possible for the State Governments to accept the above recommendations. At present in Madras only the proceeds of the entertainment tax, collected by the State Government, are distributed amongst the local bodies.

The main source of the revenue of the district boards is the cess ~~or~~ land revenue, which is collected for them by the State Governments along with the land revenue. The rate of this cess varies from $6\frac{1}{2}$ per cent to $12\frac{1}{2}$ per cent of land revenue, being the statutory minimum and maximum limits.

The municipalities levy the following taxes: (i) Octroi duties or terminal taxes; (ii) Property tax; (iii) Profession tax; (iv) Taxes on pilgrims, domestic servants, dogs, bicycles, vehicles, etc.; and (v) Licence fees. Some municipalities also derive a revenue from water works, supply of electricity or gas, city bus or train service, etc.

The local bodies also receive grants-in-aid from the State Governments. These grants are often conditional for specific purposes.

One of the directive principles of State Policy in the constitution of India is that the State shall take

steps to organise village panchayats and endow them with such power and authority as may be necessary to enable them as units of self government. In pursuance of this directive most of the States have enacted the requisite legislation and brought into being a network of Panchayats.

The contemporary problems of panchayats relate to finding of resources to enable them to carry out the new development functions devolving on them, the training of their mambers and presidents in village leadership, and the determination of their exact place in the new set up of democratic decentralised rural administration which is being evolved.

Often the elected representatives fight shy of exploiting even the limited existing sources of revenue availabe to them. Sometimes influence of local vested interests retards collection of tax and arrears have a tendency to mount. This often calls for greater control and supervision by State Governments. Accounts of local bodies are audited by a Government Examiner of Local Fund Accounts and inefficient local bodies are sometimes superseded by Government.

Over autonomous organisations, the control of Government depends largely on the grants and loans made to them by Government. These organisations are required to satisfy Government that the loans or grants are utilised for the purpose for which they were granted. Government often have representation on the Boards or Councils of these organisations and also have in addition to audit by professional auditors, arrangements for an

audit by the Comptroller and Auditor General either by making statutory provisions in the enactments setting up these organisations or by making it a condition of the grants or loans given by them.

Social security

Social security and social insurances, employment and unemployment is in the concurrent list of legislation. Modest beginnings have been made in India in the field of social security. Among the various important measures of social security so far adopted the following may be mentioned:-

(a) Factory Act of 1948: contains elaborate provisions in regard to health, safety and welfare of the workers -- minimum age -- hours of work.

(b) Mines Act, 1952.

(c) Plantation Labour Act, 1951.

(d) Shops and Commercial Establishment Acts of various States.

(e) Payment of Wages Act, 1936.

(f) Minimum Wages Act, 1948 & Fair Wages Act, 1950.

(g) Maternity Benefits Acts passed in States & Centre.

(h) Workmen's Compensation Act 1924 & amended from time to time.

(i) Employees' State Insurance Act 1948, amended in 1951.

(j) Employees' Provident Fund Act, 1952, amended in 1956 to empower its extension to non-factory establishment and Coal Mines Provident Fund and Bonus Schemes Act.

(k) Indian Trade Union Act, 1925, amended in 1948.

(l) Industrial Employment Act, 1946.

(m) Industrial Disputes Act, 1947, later superseded by the Labour Relations Act, 1950, and the Industrial Disputes (Amendment) Act, 1956.

(n) Indian Merchant Shipping Act, 1923.

(o) Indian Railways Act, 1890.

(p) Indian Dock Labourer's Act.

There is no national scheme of health or unemployment insurance or of old age pensions. The State Government of Uttar Pradesh has recently been dealing with a limited scheme of old age benefits.

Parliament and Parliamentary Committees

Parliament

As in the United Kingdom, the Parliament and the State Legislatures in India have under the Constitution the prerogative of exercising control over taxation, to grant supplies for expenditure and to control issues and appropriations while the responsibility of initiating necessary fiscal measures to finance its plan and policy is that of the executive. To enable the Parliament/Legislatures to be assured that the appropriations are spent by the executive for the purpose for which they were granted and according to law, rules and regulations, there is Statutory Authority the Comptroller and Auditor General who audits the public accounts and reports thereon to the Parliament/Legislatures. These reports are, as in the U.K., considered by the Committee on Public Accounts.

Public Accounts Committee

The Public Accounts Committee at the centre consists of 22 members. Its Constitution differs from that of its counterpart in U.K. in two respects. It provides for representation of the Upper House though the right to vote supplies is finally that of the Lower House. Secondly the convention of having a member of the opposition to be its Chairman has not been adopted in India. Otherwise the Committee functions much the same as that in the U.K. and fulfils much the same purposes. The present charter of the Committee as embodied in the Rules of Procedure and Conduct of Business is to satisfy itself:

(a) that the moneys shown in the accounts as having been disbursed were legally available for and applicable to the service or purpose to which they have been applied or charged;

(b) that the expenditure conforms to the authority which governs it; and

(c) that every reappropriation has been made in accordance with the provisions made in this behalf under rules framed by competent authority.

It shall be also the duty of the Public Accounts Committee:

(a) to examine, in the light of the report of the Comptroller and Auditor-General, the statement of accounts showing the income and expenditure of state corporations, trading and manufacturing schemes and projects, together, with the balance sheets and statements of profit and loss accounts, which the President may have required to be prepared or are prepared under the provisions of the statutory rules regulating the financing of a particular corporation, trading concern or project;

(b) to examine the statement of accounts showing the income and expenditure of autonomous and semi-autonomous bodies, the audit of which may be conducted by the Comptroller and Auditor-General of India, either under the directions of the President or by a statute of Parliament; and

(c) to consider the report of the Comptroller and Auditor-General in cases where the President may have required him to conduct an audit of any receipts or to examine the accounts of stores and stocks.

Estimates Committee

In India, the Estimates Committee is of recent origin. When it was first constituted soon after the inauguration of the new Constitution in 1950, it was stated that it would work as a continuous Economy Committee. It would not be concerned with the policy of Government but its business would be to ensure that within the framework of the policy laid down by the Government and the House, only the minimum expenditure needed for fulfilling the objectives of Government would be incurred. In Mid-1953, the scope of its function was expanded "to suggest alternative policies in order to bring out efficiency and economy in administration". The Committee claims that economy is linked with efficiency and efficiency with organisation and now deals with all these aspects. This constitutes a major deviation from its U.K. counterpart.

Courts and Tribunals with different types of jurisdiction

In the Financial field there is the Income-tax Appellate Tribunal which hears appeals from assessees. There is an appeal to High Courts or the Supreme Court on points of Law only. For Customs and Central Excise the Central Board of Revenue deals with appeals.

Under the Labour Relations Act, there are Standing Conciliation Boards, Labour Courts and the Appellate Tribunal; under the Employees State Insurance Act, there are Employees' Insurance Courts.

Monopolies, State enterprises and the general economy of the nation

India has by the Industrial Policy Resolutions of 1948 and 1956 avoided the extremes of both laissez-faire and collectivism. It has adopted a middle course of "Mixed" or controlleed Economy". Seventeen industries scheduled A in the latter resolution form the exclusive responsibility of the public sector. Twelve industries scheduled B will be progressively stateowned. At the same time private enterprise will also have the opportunity to develop in this field on its own or with State enterprise. The remaining industries fall in the private sector though the State may start any industry in this category.

The Industries (Development and Regulation) Act, 1951, confers wide powers on the Central Government in relation to industries.

The following states enterprises have been started by the Government of India in recent years:-

1. The Sindhri Fertilizer Factory.
2. The Chittaranjan Locomotive Factory.
3. The Hindustan Ship Building Yard.
4. Machine Tools Factory.
5. The Hindustan Housing Factory.
6. Pencillin Factory
7. D.D.T. Factory
8. The Telephone Cable Factory.
9. The National Instrument Factory.
10. The Hindustan Steel Ltd., with steel plants, at Bhilai, Rourkela and Durgapur.
11. Heavy Electricals Private Ltd., Bhopal.

12. Nangal Fertilisers & Chemicals (Private)Ltd., Manufacture of Arms and Ammunition, the production and control of Atomic Energy and the management of railway transport are Government monopolies.

13. Bharat Electronics (Private)Ltd.,

14. Hindustan Aircraft (Private) Ltd.,

15. Nahan Foundry (Private) Ltd.,

16. National Industrial Development Corporation.

17. National Small Industries Corporation

18. State Trading Corporation (Private) Ltd.,

19. Export Risks Insurance Corporation.

20. Ashoka Hotels (Private) Ltd.

21. National Mineral Development Corporation.

22. Central Warehousing Corporation.

23. Eastern Shipping Corporation

24. Western Shipping Corporation.

25. Indian Airlines Corporation.

26. Air India International Corporation.

27. Neyveli Lignite Corporation.

28. Hindustan Heavy Engineering Corporation (Private)Ltd.

29. National Research Development Corporation.

30. National Projects Construction Corporation.

31. Rehabilitation Housing Corporation Ltd.

32. Coal Washeries Project.

33. Atomic Energy Establishments with Thorium Uranium Plant etc.

State Government also have set up a number of industries e.g., Nepa Mill by the Madhya Pradesh Government.

International programmes of credit and financial assistance

There are several International programmes of credits and financial assistance to this country. Some are agreements for deferred payment. All foreign aid even if it is intended for the State field if canalised through the Central Government. Thus the Centre has created the following funds from this source from which loans or grants are made to State Governments:

1. Fund from sale proceeds of American loan wheat.
2. Fund from the sale proceeds of wheat received under the Colombo Plan.
3. Fund from other assistance under the Colombo Plan.
4. Fund from assistance under the Indo-U.S. Technical Co-operation agreement.
5. Fund from assitance from Norway for Fisheries Development.
6. Fund from sale proceeds of American Loan Commodities.
7. Fund from sale proceeds of commodities received from U.S.A. under Public Law 480.

Assistance has also come from Ford Foundation, Rockfeller Foundation and from certain specialised agencies of the United Nations Organisation e.g., United Nations Technical Assistance Administration, United Nations International Children's Emergency Fund, Food and Agricultural Organisation, etc.

Loans have been received from the following sources:-

1. Loans from the International Bank for Reconstruction and Development.
2. From U.S.A.
   (a) Wheat Loan (b) Development Assistance loan

(c) Loans under P.L. 480,(d) Loans from U.S. Development Fund (e) Loans from U.S.A. President's Asian Economic Developmant Fund (f) Loans from U.S. Export-Import Bank.

3. Loans from U.S.S.R. for (a) Bhilai Steel Project and (b) other Industrial enterprises in India.

4. Arrangement for defferred payment with West Germany for Rourkela Steel Plant.

5. Loans from U.K. Government by way of credits for Durgapur Steel Plant and other purposes and (b) agreement with a syndicate of private Banks for financing the sterling portion of a contract relating to the Steel plant at Durgapur.

6. Canadian Wheat Loan.

7. Loans from Japan by way of credits through the Japanese Export and Import Bank.

"Australia has given a grant in wheat. New Zealand has given grants for the All India Institute of Medical Sciences, to the Madras Milk Supply Scheme etc. Government of Netherlands have given assistance for a training centre in hide flaying, tanning and footwear. The Government of France have assisted with technical assistance in the form of services of experts, equipment auxcilliary to experts and training facilities for Indian Nationals in Electronics,Salt manufacture etc.

India also has been aiding other countries.

<u>Surveys & Enquiries</u>

The Economic Division of the Ministry of Finance (Department of Economic Affairs) works in close touch with the Central Statistical Organization, with the Economic Division of the Planning Commission and with the Research and Statistics Department of the Reserve Bank of India. They undertake studies and surveys and prepare special reports as well as weekly reviews of economic developments in the country and monthly survey of major developments in economic conditions and policies in foreign countries. They publish an economic

classification of the Central Budget and annual Economic surveys.

Legal Advisers

The Ministry of Law advises the Ministries and Departments of the Government of India on all legal matters, drafts bills, ordinances and Regulations, and scrutinises statutory Rules and orders. State Governments have similarly their legal department and legal remembrancers. There is also the Attorney General in the Centre and the Advocate General in the State to give legal advice. There is a special provision in the Constitution under which if at any time it appears to the President that a question of law or fact has arisen, or is likely to arise, which is of such a nature and of such public importance that it is expedient to obtain the opinion of the Supreme Court upon it, he may refer it to that court for consideration and the court may, after such hearing as it thinks fit, report to the President its opinion thereon.

Economic Advisers

Attached to the Ministry of Commerce and Industry, there is an office under an Economic Adviser. He collects, studies and interprets various economic information having a bearing on India's foreign trade and commerce. He also compiles the official index numbers of prices in India, conducts investigations in respect of prices, effect of tariffs, employment situation, foreign trade and industrial production and advises the Ministry in all economic, commercial and industrial matters.

There is also an Economic Division under the Ministry of Finance, Department of Economic Affairs, headed by the Chief Economic Adviser. The activities of this Division are the following:-

(a) Research into an study of important economic, financial and monetary problems, e.g, the European Recovery Programme, the International Investment position etc.

(b) Preparation and maintenance of statistics relating to balance of payments, balance of trade, currency and coinage.

(c) Study and analysis of foreign economic and financial reports, received from the Indian Diplomatic Missions and the Trade Representatives abroad.

There is an Economic Adviser in the Ministry of Food and Agriculture.

Arrangements for control of expenditure and payments.

There is as yet no control over Exchequer issues in India on the lines exercised by the Comptroller and Auditor General in the U.K. As over a large field there is a system of Audit and Accounts being combined under the same authority, payments are either made at treasuries which are situated at District Head Quarters and subjected to post audit or in some cases at the preaudit counter of an Accountant General's office or in the case of departments like the Public Works or Forest by cheques issued by the Departmental Officer concerned who renders account monthly to his Accounts and Audit Officer. There are slight variations in procedure in the Railway and Defence Departments.

Each Permenent Head of the Department (Secretary to Government in India) is regarded as accountable to the Parliament for the expenditure incurred against the grants to his

powers vest in the Ministry of Finance, recently there has been considerable decentralisation of powers to Administrative Ministries and Departments. Under the Constitution no money can be withdrawn from the Consolidated Fund unless it is covered by appropriation by law. All excesses of expenditure over appropriation and all expenditures on new services not within the scope of the grant will be brought to Parliament's notice by the Comptroller and Auditor General through the Appropriation Accounts and his Audit report thereon and have to be regularised by Parliament. To avoid such a contigency the Secretary to Government has to keep himself informed of the progress of expenditure against appropriations and to take steps to get a supplementary grant in time if it becomes inevitable. The question of transferring the responsibility for maintaining accounts of civil Departments from the Comptroller and Auditor General to the Ministry concerned, to make for Departmental completeness and competence has been engaging attention and as an experiment, accounts have been departmentalised in three Ministries of the Central Government.

P.K.S.